

MINUTES OF THE REGULAR CITY COUNCIL MEETING
TUESDAY- -OCTOBER 21, 2008- -7:30 P.M.

Mayor Johnson convened the Regular Meeting at 8:54 p.m.

ROLL CALL - Present: Councilmembers deHaan, Gilmore, Matarrese, Tam, and Mayor Johnson - 5.

Absent: None.

AGENDA CHANGES

None.

PROCLAMATIONS, SPECIAL ORDERS OF THE DAY AND ANNOUNCEMENTS

(08-440) Proclamation declaring October 2008 as Breast Cancer Awareness Month.

Mayor Johnson read and presented the proclamation to Susan Bunker.

Ms. Bunker thanked Council for the proclamation.

(08-441) Proclamation recognizing the benefits of public power and honoring Alameda Power and Telecom for its contributions to the community.

Mayor Johnson read and presented the proclamation to the Alameda Power and Telecom General Manager.

The Alameda Power and Telecom General Manager thanked Council for the proclamation.

CONSENT CALENDAR

Councilmember deHaan moved approval of the Consent Calendar.

Councilmember Matarrese seconded the motion, which carried by unanimous voice vote - 5. [Items so enacted or adopted are indicated by an asterisk preceding the paragraph number.]

(*08-442) Minutes of the Special City Council Meeting held on October 1, 2008; Special City Council Meeting held on October 2, 2008; Special and Regular City Council Meetings held on October 7, 2008. Approved.

(*08- 443) Ratified bills in the amount of \$2,722,309.26.

(*08-444) Recommendation to accept the Annual Report for the Managed Investment Portfolio for Fiscal Year 2007-2008. Accepted.

(*08-445) Recommendation to adopt Plans and Specifications and authorize Call for Bids for Signal Coordination on Eighth Street, Otis Drive, and Park Street/San Jose Avenue, No. P.W. 01-08-03. Accepted.

(*08-446) Resolution No. 14277, "Authorizing the City Manager to Execute the Grant Contract Between the State of California Department of Boating and Waterways and the Alameda Police Department." Adopted.

(*08-447) Resolution No. 14278, "Approving an Agreement with Ameresco Butte County LLC for the Purchase of Power from Landfill Gas Generation for a 20-Year Term." Adopted.

(*08-448) Resolution No. 14279, "Recommending Opposition to Proposition 7." Adopted.

CITY MANAGER COMMUNICATIONS

(08-449) Discuss the principles and framework for the potential cuts to balance the City's Fiscal Year 2009-10 budget.

The City Manager gave a Power Point presentation.

Mayor Johnson opened the public portion of the meeting.

Tony Santare, Mastick Senior Center Advisory Board (submitted comments); Ewart A. Wetheral, Mastick Senior Center (submitted comments); Barry Christensen, Mastick Senior Center; Jim Thomas, Mastick Senior Center; Virginia Fierro, Mastick Senior Center; Arlene Talbot, Alameda; Patricia Meier, Alameda; Olga Crowe, Alameda; Domenick Weaver, Alameda Firefighters (submitted study); Albert J. Hahane, Residents for Cardinal Point; Ken Gutletsen, Alameda; Robbie Dileo, Alameda Museum; Chuck Millar, Alameda Museum.

There being no further speakers, Mayor Johnson closed the public portion of the meeting.

Councilmember Matarrese stated decisions will not be made on potential cuts tonight; that he would like Council to give direction on policy standards to provide measurement and flattening and restructure the organization, which have been addressed at prior budget hearings; cuts should be made farthest away from the

point of service delivery; the City has a structural problem that needs to be fixed; consolidating departments should be reviewed.

Councilmember deHaan stated more impacts can be anticipated due to the current financial crisis; concurred with Councilmember Matarrese; stated funding was strong from 1995 to 2000; that he would like to compare current staffing with levels ten years ago; he is appalled that Mastick Senior Center closure is being considered as a potential cut.

Councilmember Matarrese stated the City Manager and Department Heads are responsible for determining how to deliver service; that he wants to outline what services need to be protected; public safety staffing needs to be maintained at a level to ensure adequate response time; that he is pleased that the Police Chief is urging Council not to consider a Special Duty Unit reduction which would result in the loss of a parolee, a probationer, sex registrant monitoring, special operations capabilities, and surveillance and investigative functions; the City is kept safe because of parolee surveillance, speed limit enforcement, and property crime investigation; the City has three missions: 1) keeping the City safe; 2) protecting individual citizens; and 3) protecting infrastructure; the City cannot eliminate sidewalk and tree pruning maintenance.

Mayor Johnson stated the Fire and Police Departments' Sustainability Reports should have included economic analysis and been a financial planning tool for the next five or ten years; reports should include the retirement medical cost issue.

Councilmember Gilmore stated follow up should be given to the possibility of contracting out certain Finance Department functions, such as payroll, parking citations, business licenses, etc., as well as combining Risk Management and Human Resources into one administrative department; consolidating Boards and Commissions should be reviewed because City time is used to staff the Boards and Commissions; contracting out engineering services should be reviewed; that she is not sure about contracting out Fire services to the County; that she does not see how public safety services will not be touched given the fact public safety accounts for 66% of the General Fund.

Councilmember Matarrese stated that he would like the City Manager to explore the possibility of contracting in; Alameda Unified School District could contract with the City for field maintenance and payroll services; part-time versus full-time employment should be reviewed for professional services.

Mayor Johnson stated issues should be reviewed with more of an open mind; Council has been clear on minimizing public service cuts as much as possible; many cities utilize retirees to supplement public safety forces; the Fire Dispatch Center was contracted out years ago; the Police Chief provided a brief analysis on the matter, but numbers were not provided.

The City Manager stated that the issue was noted as something to consider in the future because more analysis is needed.

Mayor Johnson stated the issue should be reviewed if there is a possibility to save money and provide the same service; every issue should have an associated dollar amount.

The City Manager stated that staff is working to ensure that costs are identified in future studies; structural changes can be reviewed; the amount needed to balance the [2009-2010] budget is substantial.

Mayor Johnson stated Council needs to know the exact amount of money that would be saved by eliminating positions, including retirement benefit costs.

Vice Mayor Tam stated the City does so much with so little; the City's public utility is doing very well; fifty percent of the Assistant City Manager's time is charged to Alameda Point; Mastick Senior Center is a model for the region; the Police and Fire Departments are incredible; it is important to see whether structural changes would have an impact on the General Fund; that she is not sure whether all Public Works' programs are charged to the General Fund; questioned whether funding is received for tree trimming and sidewalk repair; stated clear assessments need to be made regarding contracting out public safety services to Alameda County; the City is not facing easy choices.

Councilmember Gilmore stated Council is discussing 2009-2010 budget cuts now; economic advisers do not see the financial situation getting better for a few years; she does not want the City to become another Vallejo.

Councilmember Matarrese stated people do not want to put a price tag on public safety services or the Mastick Senior Center, but the services cost money; the City's core missions and need to be reviewed.

Councilmember deHaan stated the City's financial situation developed over several years; corrections need to be made now to avoid further impacts.

Mayor Johnson stated the City cut \$4 million [from the budget] this year; millions of dollars were cut the year before; structural reform is needed.

The City Manager stated expenditures and revenues will continue to be monitored; the community will be impacted.

Mayor Johnson stated Council voted to place Measure P on the ballot to increase revenue; people need to be given a choice between increasing revenue or making cuts; a public safety parcel tax polled very poorly.

Councilmember Matarrese stated some departments might need to be consolidated; the City cannot support the current structure; sharing services with the School District should be reviewed; the City cannot afford not to develop the North of Lincoln Avenue and Alameda Landing projects.

The City Manager stated the Revenue Enhancement Team looked at a variety of revenue raising opportunities; discussions involved using Marina fees to help support public safety services in the area.

Mayor Johnson stated Council needs more information on Marina fees.

Councilmember Gilmore stated tonight's report is very clear and helpful; requested that the report be posted more predominately on the City's website.

Councilmember Matarrese stated an analysis would be needed following the outcome of Measure P; quarterly reports will be provided in November; mid-year reports will be provided in February; the budget will be reviewed in May.

Councilmember deHaan stated most municipalities are going through the same exercise and are making drastic cuts.

Mayor Johnson stated Measure P would lessen cuts, but cuts would still need to be made.

REGULAR AGENDA ITEMS

(08-450) Recommendation to receive the Fiscal Sustainability Committee report on Other Post Employment Benefits.

The Interim Finance Director gave a presentation.

Mayor Johnson inquired what happens when a retiree reaches an age to qualify for Medicare, to which the City Manager responded that information would be provided.

Mayor Johnson inquired whether a significant number of increased participates need to be assumed.

The Interim Finance Director responded actuarial assumptions are based on certain revenue and cost growth estimates; stated actuarial assumptions need to be updated every twenty-four months.

Mayor Johnson stated that projecting the number of retirees in the next ten years is important.

The Interim Finance Director stated that employee census growth is addressed [in actuarials].

Mayor Johnson requested clarification on national health care in ten years.

The Interim Finance Director stated Bartel Associates' theory is that national health care costs would be the base line; the amount would be subtracted from the City's liability.

Mayor Johnson stated that she does not agree with said assumption; assumptions need to have a rational basis; reducing the health care rate of inflation to 4.2% is irresponsible.

Councilmember Matarrese stated the assumption should not be made.

The Interim Finance Director continued the presentation.

Kevin Kennedy, Fiscal Sustainability Chair and City Treasurer, gave a brief presentation.

(08-451) Vice Mayor Tam moved approval of continuing the meeting past midnight.

Councilmember deHaan seconded the motion, which carried by unanimous voice vote - 5.

Vice Mayor Tam stated that the \$6 million cash payment assumes a 4.5% and 7.75% fixed rate of return.

Mr. Kennedy stated the higher rate of return is being used; the money set aside to deal with the liability can be invested like a pension fund investment; the City's General Fund can only have

highly rated securities with very limited maturity; the Public Employee Retirement System (PERS) has a program that cities can use to set up irrevocable trusts to fund OPEB benefits.

Vice Mayor Tam inquired whether the City would need to contribute more if the return is not 7.75%.

Mr. Kennedy responded figures should not deviate very much unless staff levels significantly change or there is an unusual employee turnover.

Mayor Johnson inquired what is the Fiscal Sustainability Committee's recommendation, to which Mr. Kennedy responded a straight thirty-year amortized schedule.

Councilmember Matarrese inquired whether outstanding loans from Alameda Power and Telecom (AP&T) and Alameda Reuse and Redevelopment Authority (ARRA) are returning approximately 6% interest each.

The Development Services Manager responded ARRA is paying interest only to the General Fund; stated the principle would not retire; AP&T is not paying anything on its obligation.

Councilmember Matarrese inquired whether lease revenues are pumped into the General Fund as an interest only payment.

The Development Services Manager responded a payment of \$130,000 is made, which is 6% in interest.

Councilmember Matarrese stated the interest comes from lease payments; lease revenue is to go into infrastructure and maintenance at the former Base, but is going into the General Fund.

Mayor Johnson stated Council needs to decide whether revenue should come to the General Fund or go into crumbling infrastructure that the City does not own.

Vice Mayor Tam inquired whether redevelopment funds would be protected from State raiding if revenues were put into the General Fund.

The Development Services Director responded lease revenue funding does not have anything to do with tax increment received from the State; stated the law states that a city's General Fund can make the payment; ARRA is scheduled to make principle payments this fiscal year.

Councilmember Matarrese stated the question is whether principle payments should be made; decisions need to be made on the best place for cash flow.

Mr. Kenney stated the City is trying to work another \$2.5 million into a budget that is already strained to ensure that obligations are met; the City may get to a point where the retiree budget will engulf the entire budget for current services.

Mayor Johnson questioned how the City would provide needed levels of public safety when payments are required for retiree health benefits.

Mr. Kennedy stated that a lot of cities are looking at the issue; the current economy is exposing a lot of weaknesses that were hidden by a strong economy.

Vice Mayor Tam inquired whether the Committee's recommendation is Alternative B, which requires raising an additional \$2.3 million on top of \$1.2 million; stated Alternative B would increase the shortfall of approximately \$4 million next year to \$6.3 million; questioned whether the Committee is suggesting that the City not tap into the fund balance for said amount.

Mr. Kenney responded in the affirmative; stated the General Fund balance could be spent down to zero if significant changes are not made to free up revenue going forward; stated the City has a \$75 million liability; staff presented a variety of payment options; there is a lot to be said for pre-funding as much as possible.

Mayor Johnson inquired how many retirees are assumed on Attachment B and what are the premiums.

Mr. Kennedy responded the current population was considered and assumptions were made regarding turnover and change in demographics.

Councilmember Matarrese stated no one is supporting the pay-as-you-go approach; the question is how much the City will pay over and beyond the annual premium; the money needs to be squeezed out of an already tight budget; that he appreciates the work of the Fiscal Sustainability Committee; he prefers a fixed figure even if adjustment would be needed; the obligation is real and contracted; that he likes the idea of taking the from an ARRA loan to help fund the obligation.

Mayor Johnson concurred with Councilmember Matarrese; stated a fixed number has to be set; funding was not provided for the 1079

and 1082 Plans; Council is dealing with the consequences.

Mayor Johnson opened the public portion of the hearing.

Michael D'Orazi, IAFF 689, stated the Police and Fire Associations did not get off to a good start when the City was approached for transferring the 1082 Plan to PERS; the ball was set in motion through a meeting with Former Mayor Chuck Corica; actuarial assumptions were obtained from PERS which showed that the City would save 13% on employer costs for pensions and there would be \$3 million left over after the conclusion of transfer of funds; public retiree healthcare benefit discussions were limited because everyone felt that life expectancy for public safety employees was shorter; discussions continued for adding spouses to the benefit; the 13% could have been used to help pre-fund pension costs; pre-funding is an important option to consider; urged Council to be cautious; stated only two people are left in the 1082 Plan; the 1079 Plan unfunded liability will decrease substantially over the next few years.

There being no further speakers, Mayor Johnson closed the public portion of the hearing.

The Interim Finance Director noted that the City would have more than an additional \$700,000 shortfall if the ARRA obligation repayment was not included in the current budget and 2009-2010 budget.

Councilmember Gilmore thanked the Interim Finance Director and Fiscal Sustainability Committee for the report; stated that she knew there was an OPEB liability, but she did not know what target the City needed to shoot for to start paying for the obligation.

Mr. Kennedy stated that the Fiscal Sustainability Committee would not provide a final report in January.

Councilmember Matarrese thanked the Fiscal Sustainability Committee for input and the Interim Finance Director for a clear presentation; stated that no one anticipated the rise in healthcare costs; the 1079 and 1082 Plans are in sunset and provide an opportunity for some ramping up; that he would like staff to come back with a hybrid approach which would include pre-funding ramp up and Alternative E.

In response to Mayor Johnson's comments regarding mandatory payment, Mr. Kennedy stated one way to make payment mandatory could be pre-funding with a bond; if a \$50 million pension bond were issued, a 5% interest rate would equal \$2.5 million in interest

payments; earning 6%-8% would result in additional revenue; the interest payment would be non-negotiable.

Councilmember deHaan stated that Peralta Community College District had an approximate 2% delta between what was borrowed on a bond and what was earned.

Mayor Johnson stated that a number needs to be set and consequences need to be known; requiring non-discretionary payments could be established through an ordinance or could be part of the Charter.

Mr. Kenney stated that he would have an issue with issuing a bond on the entire obligation; a number of cities have partially pre-funded the obligation.

The Interim Finance Director stated pension obligation bonds are taxable; borrowing \$75.4 million of taxable municipal debt at today's rate would result in a \$3.2 million payment; the bond would be a serial bond and would never stop.

Mr. Kenney stated bond counsel could provide more information on the matter.

The Interim Finance Director stated that paying the \$75.4 million over thirty years would result in paying three times the amount; a bond would be good for pre-funding the obligation and controlling the difference of the delta every year.

Mr. Kenney stated the pay-as-you-go approach is irresponsible; commended Council for facing the issue; stated more information is needed on how a pension bond would work.

Mayor Johnson stated information is needed on paying the obligation over thirty years, the 1079 and 1082 Plans, and using [1079 and 1082 Plan] decreases to pay for the current [OPEB] plan.

Councilmember Matarrese stated consensus is: not to select the pay-as-you-go approach; to shoot for the \$4.4 million; to review the pension bond alternative; and to see how \$2.8 million from the 1079 and 1082 Plans figure into payment; further stated a resolution or ordinance could be considered as a vehicle for locking in the payment commitment.

Councilmember Gilmore stated that she wants information on General Fund repercussions.

Vice Mayor Tam requested clarification on the \$3 million that was to go into the OPEB [when the 1079 and 1082 Plans ended] and where

the 13% savings went that the City incurred as a result of the conversion from the 1079 and 1082 Plans; stated that she wants to avoid repeating past mistakes.

Mayor Johnson stated actuarial numbers need to be reviewed in order to ensure that payments are adequate.

Councilmember Matarrese stated dramatically increased healthcare costs and participant fluctuation need to be considered.

Councilmember deHaan stated today has to be the worst of all times to pay but might be the best in terms of securing a bond.

Mr. Kennedy stated markets have been frozen; IBM borrowed money at 250 basis points over Treasury, which is ridiculous.

The Interim Finance Director stated that the last quarter statistics indicated that the Municipal Bond market was 25% less than demand; timing is the issue; updated actuarial assumptions are needed; real numbers are needed.

Councilmember Matarrese stated accurate information is needed, but he does not want the matter pushed aside.

(08-452) Report on the impact of the Chuck Corica Golf Complex Fee Increases.

The Interim Golf Manager gave a brief presentation.

Councilmember deHaan stated rounds have increased, but cart rentals have decreased.

The Interim Golf Manager stated golfers are making careful spending decisions.

Mayor Johnson stated one month's data is not enough to track impacts.

Jim Strehlow, Alameda, stated fewer people will play golf because of the current economic conditions; Council should not rely on short-term impacts.

Jane Sullwold, Alameda Golf Commission, stated September 2008 only had four weekends and did not include Labor Day weekend, which was included in September 2007 statistics; revenue increased by approximately \$24,000; the first month was a very positive experience under the new rate structure; the Interim Finance Director has been extremely helpful in providing information to the

Golf Commission.

In response to Councilmember deHaan's inquiry regarding figures, Ms. Sullwold stated the Par 3 Course continues to increase in play and decrease in revenue.

Mayor Johnson inquired whether increased rates would decrease play.

Ms. Sullwold responded higher rates decreased play in the past; stated the Par 3 Course is price sensitive.

(08-453) Recommendation to authorize the City Manager to negotiate a Master Siting Agreement with AT&T to upgrade their distribution system in order to provide Lightspeed Services in Alameda and to execute all necessary documents to implement the project.

The Public Works Coordinator gave a brief presentation.

Mayor Johnson inquired whether every site would require a permit.

The Public Works Coordinator responded in the affirmative; stated notification would be provided to property owners within 300 feet of a site.

Mayor Johnson inquired whether Council has the ability to say no to the Agreement.

The Public Works Coordinator responded in the negative; stated the City would have the right to control the way equipment would be installed within the public right-of-way.

Mayor Johnson inquired whether the franchising roll has been taken over by the State, to which the Public Works Coordinator responded in the affirmative.

Councilmember Matarrese stated the staff report indicates that the City would receive a 5% franchise fee; inquired how much the 5% is in dollars.

The Public Works Coordinator responded 5% of gross revenue for video services; stated the actual dollar amount would depend on sales.

Councilmember Matarrese inquired whether the 5% [franchise fee] is in the budget.

The Public Works Coordinator responded in the negative; stated constructing the system would take approximately eighteen months.

Mayor Johnson inquired why the City cannot charge franchise fees on satellite dishes.

The Public Works Coordinator stated franchise fees are for occupation of right-of-ways.

Councilmember deHaan inquired whether all cabinets would be on public property, to which the Public Works Coordinator responded all cabinets would be within the public right-of-way.

Councilmember deHaan inquired whether any cabinets would be placed on private property at any point.

The Public Works Coordinator responded there are no plans to place the cabinets on private property.

Councilmember deHaan inquired whether locations would be new.

The Public Works Coordinator responded in the affirmative; stated AT&T estimates that seventy-seven boxes will be installed; the quantity depends on cable length; the new cabinets would be within 150 feet of the existing Serving Area Interface (SAI) cabinets.

Councilmember deHaan inquired whether electrical underground boxes were placed on public or private right-of-ways, to which the Public Works Coordinator responded public right-of-way.

Mayor Johnson stated placing some of the cabinets on private property would be beneficial; placing cabinets in landscape areas would be better.

Councilmember deHaan inquired whether AT&T would be willing to subsidize staff's efforts.

The Public Works Coordinator responded AT&T would be pay for permits.

Councilmember deHaan inquired whether permit fees would be adequate, to which the Public Works Coordinator responded in the affirmative.

Vice Mayor Tam stated the Agreement has a lot of protections for the City.

Councilmember Gilmore moved approval of the staff recommendation.

Vice Mayor Tam seconded the motion, which carried by unanimous voice vote - 5.

(08-454) Resolution No. 14280, "Approving the Amended and Restated Northern California Power Agency Power Pooling Agreement." Adopted.

The Utility Planning Supervisor provided a brief presentation.

The City Manager stated that the Agreement was unanimously approved at the Public Utilities Board meeting last night.

Mayor Johnson inquired whether all Northern California Power Agency members are changing the Agreement, to which the Utility Planning Supervisor responded in the affirmative.

Councilmember Matarrese inquired whether the Agreement would have any affect on the source of power generated.

The Utility Planning Supervisor responded there should be no impact; stated the City has been operating under revised procedures for a number of years.

Vice Mayor Tam moved adoption of the resolution.

Councilmember Matarrese seconded the motion, which carried by unanimous voice vote - 5.

ORAL COMMUNICATIONS, NON-AGENDA

08-455) Griff Neal, Alameda, submitted handout; stated undergrounding costs were estimated to cost homeowners between \$1,500 and \$2,000; that his estimate is \$10,000; electric services can be reimbursed but cable and phone service costs are divided by the number of services; hook up costs are not reimbursed if a house requires a non-standard service hook up.

Mayor Johnson requested that information be provided to Council on how charges work and the reimbursement process.

Councilmember Matarrese requested that the matter be placed on an agenda so that Council can take action.

Mr. Neal suggested selling AP&T to balance the budget.

COUNCIL REFERRALS

None.

COUNCIL COMMUNICATIONS

(08-456) Consideration of Mayor's nomination for appointment to the Social Services Human Relations Board.

Mayor Johnson nominated Douglas Biggs.

(08-457) Councilmember deHaan stated that gas prices are down; ferry fees were raised; inquired whether the increase should be revisited.

The City Manager responded that she would check with the Public Works Department.

Mayor Johnson stated that fees could possibly be reduced.

(08-458) Councilmember Matarrese stated that he attended the AC Transit Interagency Liaison Committee Meeting; he requested that Council receive a report on the meeting because discussions included casual carpooling and line 63; the line 63 route changes only saved two minutes.

Mayor Johnson inquired what were the thoughts on casual carpooling.

Councilmember Matarrese responded points of discussion included: 1) casual carpooling is bad for the bus system; 2) the City should place a sign for a designated casual carpooling zone; and 3) casual carpooling should be moved to a ride share location; stated the matter is a question of policy.

Councilmember deHaan stated concerns involved sheriff's issuing tickets.

Councilmember Matarrese stated tickets are issued if someone pulls up to a red zone that is a bus stop.

(08-459) Vice Mayor Tam stated that she attended the League of California Cities East Bay Division meeting last Thursday; PG&E made a presentation; PG&E is trying to reduce its carbon footprint; Berkeley, Albany, and Emeryville are trying to create a municipal public power entity; studies show that rates would be 10% higher because of PG&E's broad base; that she has been elected to the Executive Board which requires reviewing legislation on local control for the Light Brown Apple Moth issue.

Mayor Johnson inquired what is PG&E's renewable portion of their portfolio.

The AP&T General Manager responded 11%; stated AP&T is number one in the State.

ADJOURNMENT

Mayor Johnson announced that the November 4, 2008 Regular City Council Meeting will be adjourned to November 6, 2008 due to the November 4, 2008 General Municipal Election. There being no further business, Mayor Johnson adjourned the Regular Meeting at 1:45 a.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Brown Act.

MINUTES OF THE SPECIAL CITY COUNCIL MEETING
TUESDAY- -OCTOBER 21, 2008- -6:00 p.m.

Mayor Johnson convened the Special Meeting at 6:05 p.m.

ROLL CALL - Present: Councilmembers deHaan, Gilmore,
Matarrese, Tam, and Mayor Johnson - 5.

Absent: None.

The Special Meeting was adjourned to Closed Session to consider:

(08-436) Conference with Labor Negotiators; Agency Negotiators:
Craig Jory and Human Resources Director; Employee Organizations:
All Bargaining Units.

(08-437) Conference with Legal Counsel - Anticipated Litigation;
Initiation of litigation pursuant to subdivision (c) of Section
54956.9; Number of cases: One.

Following the Closed Session, the Special Meeting was reconvened
and Mayor Johnson announced that regarding Labor, Council received
a briefing from Labor Negotiators regarding status; no action was
taken; regarding Legal, Legal Counsel briefed Council on potential
litigation; Council provided direction to Legal Counsel.

Adjournment

There being no further business, Mayor Johnson adjourned the
Special Meeting at 7:25 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Brown
Act.

MINUTES OF THE SPECIAL JOINT CITY COUNCIL,
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY (ARRA), AND
COMMUNITY IMPROVEMENT COMMISSION (CIC) MEETING
TUESDAY- -OCTOBER 21, 2008- -7:25 P.M.

Mayor/Chair Johnson convened the Special Meeting at 7:36 p.m. Councilmember/Board Member/Commissioner Gilmore led the Pledge of Allegiance.

ROLL CALL - Present: Councilmembers / Board Members /
Commissioners deHaan, Gilmore, Matarrese,
Tam, and Mayor/Chair Johnson - 5.

Absent: None.

CONSENT CALENDAR

Vice Mayor Tam moved approval of the Consent Calendar.

Councilmember Matarrese seconded the motion, which carried by unanimous voice vote - 5. [Items so enacted or adopted are indicated by an asterisk preceding the paragraph number.]

(*08-438CC/ARRA) Recommendation to authorize execution of a Payment Plan for Sales Tax Guarantee between the City of Alameda and Auctions by the Bay, Inc. Accepted.

AGENDA ITEM

(08-439CC/ARRA/08-54CIC) Recommendation to accept the Year End Financial Report for the period ending June 30, 2008.

The Interim Finance Director gave a presentation.

Mayor/Chair Johnson stated the equipment replacement fund is \$2.5 million, which is too much; there should be a discussion on what the equipment replacement is for and why there is so much money in the fund.

The Interim Finance Director stated the revenue is generated by depreciation, which departments have as an expense; how quickly the funds are used depends on budget decisions made each year; the depreciation rate is based upon the schedule adopted as part of the audit and is pretty much the IRS's depreciation schedule.

Mayor/Chair Johnson inquired whether the number represents real

dollars, to which the Interim Finance Director responded in the affirmative.

Mayor/Chair Johnson stated the amount is too high.

Councilmember/Board Member/Commissioner deHaan inquired how much was added last year, to which the Interim Finance Director responded \$400,000.

Mayor/Chair Johnson stated the amount in the fund increased last year when 4% to 5% cuts were made in department budgets; the matter should be reviewed.

The Interim Finance Director stated staff would provide Council with information on what auditors would expect.

Councilmember/Board Member/Commissioner Gilmore inquired whether the \$1 million sales tax overpayment would come from the General Fund.

The Interim Finance Director responded in the affirmative; stated the amount would not be included in the last Fiscal Year; provided background information on the State Board of Equalization's claim that the City was overpaid \$1.1 million in sales tax.

Mayor/Chair Johnson inquired about the ambulance service bill from the County.

The City Manager responded the City returned the bill to the County because the City does not have a Contract.

Mayor/Chair Johnson inquired the amount, to which the City Manager responded over \$1 million.

Mayor/Chair Johnson inquired what the bill is for.

The City Manager responded the bill is for the County providing regulation for ambulance services; stated the City pays the amount from the General Fund because the City does not assess residents for the service; the City has been negotiating with the County since 2005.

Mayor/Chair Johnson stated the City Fire Department provided back up to American Medical Response (AMR) approximately 600 times; the number of times AMR backed up the City is much, much less; the City should send the County a bill for the disproportionate amount of

mutual aid; the City should not provide backup for AMR, a private company; taxpayers should not support AMR; the County should receive a \$1 million bill for the service.

The City Manager stated staff would follow up; the City made changes to avoid the situation in the future.

Mayor/Chair Johnson stated the bill should be sent for past mutual aid.

Councilmember/Board Member/Commissioner Matarrese inquired whether the \$1 million sales tax overpayment and \$1 million bill from the County are outstanding, to which the City Manager responded in the affirmative.

Councilmember/Board Member/Commissioner Matarrese inquired the likelihood of the City prevailing on the outstanding County bill.

The City Attorney responded the City is in good shape; stated the amount relates to an expired Contract that the City has been trying to negotiate; the county refunded the City when the Contract has expired in the past.

Councilmember/Board Member/Commissioner inquired how outstanding amounts are captured on the balance sheet.

The Interim Finance Director responded the amount is captured as a liability at the time the process is concluded and the amount is real.

Councilmember/Board Member/Commissioner deHaan requested a breakdown of the \$6 million in IOUs [owed to the General Fund].

The Interim Finance Director stated the three large amounts are \$2.2 million from Alameda Reuse and Redevelopment Authority (ARRA), \$2.4 million from Alameda Power and Telecom (AP&T), and \$1.2 million from Alameda Point.

In response to Councilmember/Board Member/Commissioner deHaan's inquiry regarding repayment of the \$6 million loaned out from the General Fund, the Interim Finance Director stated the principle is not being retired; ARRA is paying interest only, which is booked as \$130,000 in General Fund revenue.

Councilmember/Board Member/Commissioner deHaan inquired whether there is a funding mechanism for repayment.

The Interim Finance Director responded the matter would be visited in more detail in the future; stated some housekeeping paperwork needs to be done to make it [loans] more formal; continued the presentation.

Mayor/Chair Johnson requested the outstanding bonds debt balance.

The Interim Finance Director stated staff would provide the debt service schedule, including a description of why the City went to the market and what was financed.

Mayor/Chair Johnson stated the City needs to maintain what has been built and cannot let assets deteriorate before they have been paid off.

The Interim Finance Director stated one of the things that government does not do very well is anticipate maintenance costs and roll [maintenance] costs into operations; some cities adopt policies.

Mayor/Chair Johnson stated the City should do so [adopt a policy].

The Interim Finance Director continued the presentation.

Councilmember/Board Member/Commissioner Matarrese stated \$38 million in the sewer fund is the asset, not cash; inquired whether \$38 million is the amount it would cost to put in the sewer system.

The Interim Finance Director responded in the negative; stated GASB 34 requires that a value be placed on infrastructure; stated the replacement cost would be a lot more than \$38 million.

Councilmember/Board Member/Commissioner Matarrese stated the amount should be grounded to reality; requested the matter be reviewed; stated the value should be understood.

The Interim Finance Director stated a GASB 34 report could be provided on the sewer and ferry systems.

Mayor/Chair Johnson stated the City is trying to catch up on deferred maintenance for streets and sidewalks; the City needs to have a plan and funding mechanism in place to deal with assets so that they do not crumble away; the Council needs to know the expected maintenance needs in the near and long term for all assets, such as the sewers.

Councilmember/Board Member/Commissioner Matarrese stated a real number is needed, not a number driven by an accounting standard.

Councilmember/Board Member/Commissioner deHaan inquired whether the \$300,000 in the Golf due from ARRA fund would be repaid, to which the Interim Finance Director responded staff would look into the matter.

Councilmember/Board Member/Commissioner Matarrese inquired the amount in the ARRA fund balance.

The Interim Finance Director responded in the aggregate, fund balance is \$10.3 million.

The City Manager stated staff would get back to Council because there are differences between the amount and the cash flow.

Councilmember/Board Member/Commissioner Matarrese inquired whether the [ARRA] fund owes money to the General Fund and Golf, to which the Interim Finance Director responded staff would look into the matter.

The Assistant City Manager stated some of the commitments are pretty poorly documented.

Mayor/Chair Johnson stated the City needs to do a better job [of documenting commitments].

The Interim Finance Director stated the [ARRA] funds might not be available due to obligations in a Disposition and Development Agreement or something else; the numbers would be broken down more clearly; continued the presentation.

Mayor/Chair Johnson requested an explanation of the Workers' Compensation fund.

The Interim Finance Director stated the fund has been set up to include the potential liability similar to Other Post Employment Benefits (OPEB).

The City Attorney stated both federal law and the City's participation in a workers' compensation risk pool require that the City show the actuarial loss reserve; the number is very high and represents the worst case scenario; the City has to have the funds, rather than just show the number on paper; the funds are held in

the General Fund; as claims come in during the year, money is backfilled into the workers' compensation budget.

Mayor/Chair Johnson requested that the reporting be made clearer.

The Interim Finance Director stated the amount is on the balance sheet, not the profit and loss statement; the amount does not have to be liquid and can be in an asset.

Councilmember/Board Member/Commissioner Matarrese stated the City is federally required to have \$5 million [for workers' compensation]; inquired whether the \$5 million is part of the \$10 million that is cash in the [General Fund] fund balance.

The Interim Finance Director responded in the negative; stated the number is recorded as a liability; however, the money is not earmarked exclusively for workers' compensation.

The City Attorney concurred that the amount does not need to be earmarked; stated there must be at least that much money in the General Fund.

The Interim Finance Director stated if Council wanted to fund it, the cash would be moved someplace.

Mayor/Chair Johnson stated the fund balance is \$16 million, \$10 million of which is cash; \$5 million of the \$10 million [in cash] has to remain liquid [for workers' compensation].

The Interim Finance Director stated the federal requirement is that the City has to have the capacity to pay.

The City Attorney concurred that the City has to demonstrate the capacity to pay; stated the way the City does so is by keeping the money in the General Fund.

The Interim Finance Director concluded the presentation.

Mayor/Chair Johnson requested that the amount budgeted for the next fiscal year be included in another column in future reports; stated some funds have significant balances and might need to be reviewed; further requested that the police overtime Contract overtime be reviewed to ensure that the amount charged fully funds all costs.

The Interim Finance Director stated contract overtime would be handled differently; there would be an object code to show expenses

along with a revenue source by detail.

Mayor/Chair Johnson stated the amount charged needs to include the amount of time a Captain spends overseeing contract overtime.

In response to Mayor Johnson's inquiry regarding the Meyers House, the City Manager stated the amount was removed from the Recreation budget and was not funded.

Councilmember/Board Member/Commissioner Matarrese moved approval of the staff recommendation.

Vice Mayor/Board Member/Commission Tam seconded the motion, which carried by unanimous voice vote - 5.

ADJOURNMENT

There being no further business, Mayor/Chair Johnson adjourned the Special Meeting at 8:54 p.m.

Respectfully submitted,

Lara Weisiger, City Clerk
Secretary, Community Improvement
Commission

The agenda for this meeting was posted in accordance with the Brown Act.